

**COUNTY OF LOS ANGELES
DEPARTMENT OF CONSUMER
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Reverse Mortgages



Information for Homeowners

Reverse Mortgages

Reverse mortgages are for homeowners who are at least 62 years old, have equity, and want additional monthly income.

Here's How It Works

A reverse mortgage is a loan secured by your home that turns your equity into cash. In a conventional mortgage, you make monthly payments to your lender. With a reverse mortgage, the bank pays you from the equity in your home. There is no restriction on how you can use the money.

The bank gets repaid when you sell your home, refinance, permanently move out, or pass away. At that time, you or your heirs must repay the loan plus interest in one payment.

Since these transactions are complex, you must consult with a HUD-approved housing counselor before you submit your application. Your lender can supply a list of approved counselors.

How do I get a reverse mortgage?

Reverse mortgages are available through most major banks and lenders.

Here's what happens when you contact the lender:

1. An appraiser will determine the value of your home.

2. The lender will tell you how much you qualify for based on your age, the equity in your home, and the cost of the loan.
3. You decide how you want to receive the money. You can receive the money:
 - As a lump sum.
 - In monthly payments.
4. As a credit line that lets you decide how much of the loan to use, and when to use it. You sign a contract. The contract will outline the payments you will receive and the amount you have to repay including interest. If the contract was primarily negotiated in Spanish, Chinese, Tagalog, Vietnamese or Korean, you must receive a translation in that language before you sign.

What are my rights?

Under California Law, you are entitled to a 7-day right to cancel from the date you receive counseling before your lender can charge you any fees or accept your application.

Your lender must give you a worksheet before accepting your application that outlines all the topics your counselor must discuss with you.

Lenders are prohibited from offering an annuity or referring you to someone for the purchase of an annuity during the transaction.

Maintaining your Reverse Mortgage

To keep your reverse mortgage in good standing you must:

- Pay your property taxes on time.
- Maintain and repair your home.
- Have homeowner's insurance.

Your lender may end the reverse mortgage and require immediate repayment if you:

- File for bankruptcy.
- Rent out part of your home.
- Add a new owner onto title.
- Take a new loan against your property.
- Become delinquent on your property taxes.

Things to Consider

Reverse mortgages are more costly than typical home loans or home equity credit lines. They have higher interest rates and fees. Interest is charged on the outstanding balance and added to what you owe each month. This means your total debt increases each month.

Keep in mind that you are borrowing equity from your home. This means fewer assets for you and your heirs.

Ensure the lender is licensed and in good standing by calling the Department of Business Oversight at (866) 275-2677 or Bureau of Real Estate at (877) 373-4542.

For more information, call (800) 593-8222 or visit us online at: dcba.lacounty.gov